

RETIREMENT BOARD MEETING MINUTES

Thursday, February 15, 2007

Training Center

City Hall

5:30 p.m.

1. Call to Order: The Retirement Board was called to order at 5:34 pm by Chair Charles Murray.
2. Roll Call
Present: Charles Murray, Chair; Dan Ellis, Vice Chair; Gordon Daisley; Robert Etris; Marshall Jarrett; Eduardo Molina; Mel Peterson
Staff: Richard Parker, John Tuohy, Mary Gonda, Beverly Reich
3. Receipt of Petitions: None
4. Presentation by Ann Margaret Ulrich of Franklin Templeton.
Ann Margaret Ulrich informed that the City has about \$14M in their plan with Franklin Templeton. Franklin Templeton invests globally in companies projected for future earnings, cash flow, or asset value potential. The company's analysts perform weekly evaluations of the City's portfolio for its methodology and risk potential. During this past year, the Danish contributed the most in the Industrials category with wind technology. The Telecommunication Services section had a strong stock selection with Telenor from Norway and China Mobile being the top performers. The Utilities section was overweight with top performers with the Spanish performing unusually well. The energy section was underweight and weak in performance. Michelin of France was the strong performer in the Consumer section with its strong stock selection in automobiles. Information Technology was benchmarked at 27% and only performed at 7%. Canada did well with oil exploration. Brazil performed well mining and selling of metals. International markets still have tremendous opportunities but the U.S. markets are not counted out.
5. The City's Basic and Police 2006 Actuarial Reports by John Garrett and Scott Monroe of Milliman.
The market value exceeds the actuarial value of assets by \$296 thousand in the Police Plan and \$1.2 million in the Basic Plan.
For the fiscal year 2005-2006, the Police Plan's assets earned 8.11% on a Market Value basis and 6.45% on an Actuarial Value basis. The actuarial assumed rate of return is 8% resulting in an asset gain of \$17 thousand on a Market Value basis and a loss of \$224 thousand on an Actuarial Value basis. The City's contribution remained at \$0 because the amortization of the surplus more than offsets the normal cost and administrative expenses of the plan.

For the fiscal year 2005-2006, the Basic Plan's assets earned 8.4% on a Market Value basis and 6.73% on an Actuarial Value basis. The actuarial assumed rate of return is 8% resulting in an asset gain of \$205 thousand on a Market Value basis and a loss of \$647 thousand on an Actuarial Value basis. The City's contribution increased because the recognition of investment losses from prior years (FY2002 and FY2003) has reduced the surplus such that the amortization amount no longer fully offsets the normal cost and administrative expenses. Next year will be the last year for the smoothing of losses from previous years.

Milliman will report on the status of the Health Care impact on the City's pension plans at the next meeting in May.

6. Review of the Fourth Quarter 2006 Investment Performance of the City's Basic and Police Pension Plans by Howard Pohl of Becker, Burke Associates.

Domestic stock and international markets provided excellent returns for the quarter and year. Results for large capitalization domestic stocks lagged those of the small and mid-cap sectors. Value beat growth in all capitalization sectors. International equities beat the S&P 500 for the quarter and year. Domestic fixed income markets had positive total returns but failed to return as much as 90 day T-Bills for the quarter and year. The real estate market again had good performance in the quarter and year.

The Police Plan assets grew from \$16 million to \$16.7 million in the last quarter of 2006. At the end of 2005, the assets were \$15.6 million.

The Basic Plan assets grew from \$56.4 million to \$59 million in the last quarter of 2006. At the end of 2005, the assets were \$55.2 million.

7. Plan Administrator's Report

Richard Parker informed the Board that three members (Eduardo Molina, Dan Ellis, and Gordon Daisley) terms would expire April 30, 2007. The City would be holding an election in April for the two positions being vacated for the Basic Plan and the Police Plan. He said he would request the Council re-appoint Gordon Daisley.

He stated that the City decided to leave the Treasurer and other Constitutional Officers and their employees in the Virginia Retirement System rather than allowing them to join the Basic Pension Plan.

8. Training Opportunities for Board Members

VRS is sponsoring training for Plan Administrators and Trustees October 27-28 in Richmond. The International Foundation is hosting its annual conference November 4 - 7 in Anaheim, CA.

9. Review and Approval of the draft minutes of the November 9, 2006 Retirement Board Meeting.

The Board unanimously approved the draft minutes of November 9, 2006 as amended.

10. Other business not on the agenda.

Mel Peterson reminded staff to post the minutes on the City's website after approval

11. Adjournment

Gordon Daisley moved and Marshall Jarrett seconded to adjourn the meeting at 7:40pm. All approved.

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